

## Philippine Defense Reform; Are we there yet?

By Charles 'Ken' Comer

**Executive Summary:** One of the most vital aspects of the current U.S.-Philippines bilateral relationship involves the progress of Philippine Defense Reform (PDR). This process, undertaken solely by the Filipinos but with strong encouragement and initially resourced by the United States, holds the potential to not only bring more 'balance' to a historically one-sided bilateral relationship, but also provide an impetus for reform and transparency across the breadth of the Government of the Philippines, considered one of the most inefficient in the region. For both countries, the process of PDR is also a high-stakes high wire act. The United States needs a reliable treaty partner with the capacity to fight terrorism regionally, and the Philippines needs to prove to itself and the world that the nation is progressing and capable of managing its own affairs.

Not all in either nation agree on the value of this process. Both Americans and Filipinos are divided into two opposing camps on the usefulness of PDR. There are those who believe in the concept and possible fruit that such efforts will eventually bring. There are also those who retain doubts as to either the probability to change the culture, or those that question U.S. intentions, those weary of another American 'noble experiment,' and even those that benefit from the current system. These efforts, beginning in 2003, remain ongoing, and have produced many mutual successes, and offer some exciting potential for an unalterable positive change while still having far to go. While these camps ebb and flow in size depending on the current state of the U.S.-Philippine bilateral relationship, the relative size of the 'believers' has grown since the inception of the program seven years ago.

In the aftermath of 9/11, the United States began an ambitious plan together with the Philippines to develop a system of suggested measures to assist the Philippine Department of National Defense (DND) and the Armed Forces of the Philippines (AFP) to become more efficient and transparent. Simultaneously, the U.S. began the process to introduce the initiative as 'transformative, not transactional' and convince reluctant, nationalistic, and deeply suspicious counterparts of the need to reform and the need to change their culture in order to achieve these reforms -- all the while actively pursuing a military campaign afield against a common enemy of the U.S. and Philippines.

To truly grasp the current concept and execution of Defense Reform in the Philippines, requires understanding several diverse areas of expertise. One must know something about the history of the U.S.-Philippine bilateral relationship, the lingering effects of colonialism, and about the American system to arm and/or assist other nations, known as Security Assistance.

The impact of 9/11 in many ways became the accelerant for a renewal of the U.S.-Philippines military to military relationship, which was still reeling from the effects of the removal of the U.S. bases in the Philippines in 1992. The events of 9/11, combined with the kidnapping of U.S. missionary couple Martin and Gracia Burnham by the Abu Sayyaf Group, a violent Islamic extremist group in the southern Philippines, led to the U.S. desire to open another theater of operation in the then named 'Global War on Terror' that, in many ways, signaled a new chapter in the overall U.S.-Philippine bilateral relationship.

But America's enthusiasm for a new ally in the GWOT was almost immediately haunted by the ghosts of the torturous bilateral relationship of the past. A resumption of U.S. grant aid was accompanied with a strong sense that the current defense sector in the Philippines was not up to the task, in terms of its organization, ethos, accountability, or willingness to successfully wage war against the Abu Sayyaf Group or any of the other very real threats that face the Republic of the Philippines. The U.S. was eager to press the fight globally, but did not want to simply resume the pre-1991 relationship with a Philippine Defense establishment that had changed little. U.S. military grant aid, desperately desired by the Philippines, yet would come with conditions that were not particularly welcomed by most Filipinos. It made them feel that the U.S. motives were not pure with respect to Philippine sovereignty. The United States embarked on a diplomatic campaign, directly linked with direct military assistance to the Armed Forces of the Phillipines to convince skeptical nation that reform was needed in the first place. Both nations found themselves in an awkward position: the United States more than willing to assist to support a mutual struggle, but not trusting of the Philippine Defense establishment while trying not to appear patronizing; and the Filipinos desperate for U.S. assistance, but not wanting to admit their system of defense was broken or give their neighbors and larger world audience the impression that its bilateral relationship with the United States was not an equal one.

The idea of reform of the defense establishment in the Philippines was largely embraced by the nation's President Gloria Magapagal Arroyo. She understood both the inefficacy and the danger posed by the DND due to its past role in sponsoring or assisting several coup d'état attempts in the republic's recent history, including the coup in 2001 that brought Arroyo to power.<sup>1</sup> In addition, Arroyo believed that reform in defense could lead to a 'carry over' effect that could potentially bring about badly needed reforms in other inefficient governmental institutions. In fact, Arroyo is counting on successful reform by 2010 in order to help stem the communist insurgency that has plagued the Philippines for 35 years.<sup>2</sup>

The call to reform the defense establishment, and specific recommendations to improve it, is not a new concept in the Philippines. Two of the best known coup attempts, the 1989 "Honason's Second"<sup>3</sup> and the 2003 "Oakwood Mutiny," were both initiated by elements of the AFP acting out of perceived corruption and mismanagement on the part of the AFP and DND. In the aftermath of both incidents, the government chartered two separate blue ribbon-panels to look into the causes and make recommendations to prevent further coup attempts.

The Davide and Feliciano Commission Reports, issued following the 1989 and 2003 coup attempts respectively, provided a reference for reforms that called for immediate action. Aimed at addressing the root causes of military adventurism, these reports provided recommendations

to reform the AFP promotion and assignments system, educational system, procurement system, auditing system, and health and benefits system, among others. The progress of implementing the Davide Commission reforms was uneven until the events that caused the Feliciano Commission, which also provided an additional impetus for the larger U.S.-assisted defense reform efforts.

### **Benevolent Colonialism, the Bases, Ending US funding of the AFP, and the Seeds of Reform**

It is doubtful, as conventional wisdom holds, that President William McKinley was sent scurrying to the globe in the Oval Office upon receiving the U.S. Navy's proposal to attack the Spanish fleet in the Philippines upon the outbreak of the Spanish-American War in 1898. Equally dubious, is the notion that following Admiral Dewey's annihilation of the Spanish Fleet on May 1, 1898 in Manila Bay, other than transporting Filipino nationalist Emilio Aguinaldo from exile in Hong Kong in order to rally Filipinos against the Spanish Colonial government, that Dewey was at a loss as to what to do next. In fact, Dewey and most of his contemporaries were greatly influenced by a mid-1800s American Naval strategist, Alfred Thayer Mahon, who espoused that great nations required great navies, and great navies of the day required access to far flung coaling stations to facilitate the global reach of these great fleets. The United States was about to embark on a colonialist experiment. To the Filipinos, who had been colonized by Spain beginning in 1565, their colonial experience was about to enter a new phase. Modern Filipinos jokingly refer to their national experience as "350 years in the convent, and 50 years in Hollywood".

After the destruction of the Spanish fleet, Dewey seized the Cavite Arsenal, and thereby gained a repair and refueling base that was necessary for maintaining his squadron under wartime conditions thousands of miles from home. By June, U.S. and Filipino forces had seized most of the surrounding islands, except for a walled city in Metro Manila that remains today: Intramuros. On June 12, 1898, Aguinaldo declared the Philippines independent from Spain. However, on August 13 the United States suddenly launched a successful attack that captured Intramuros, and thus Manila from the Spanish (unaware of the cease fire signed the previous day between the two nations), and effectively blocked Filipino forces from entering the city. This action created a sense of resentment and officially marked the end of U.S.-Filipino cooperation and the unofficial beginning of the Philippines as an American colony. The Treaty of Paris, signed on December 10, 1898 made it official, and the U.S. acquired the Philippines, along with Guam and Puerto Rico from Spain along with \$20 million. As U.S. forces began to spread out and assume control of the countryside, warfare broke out and so began a 14-year conflict known as the Philippine-American War by the Filipinos, and the Philippine Insurrection on this side of the Pacific. It was marked by atrocities by both sides.<sup>4</sup> While officially ending on July 4, 1901, sequels of the Philippine-American War continued and moved southerly down the archipelago towards Mindanao. The final campaign of that conflict is better known in the United States as the Moro Rebellion.

The annexation of the Philippines did not sit well with many Americans. For some, the news of the many atrocities was troublesome, while others believed that the American assumption of

Spanish colonial powers, simply replacing Spain, was a violation of the Monroe Doctrine and a betrayal of the lofty goals of the Spanish-American war. However, as early as 1902,<sup>5</sup> subsequent U.S. administrations knew of Filipino desires for independence, but did not believe the Filipino people were yet ready for the responsibility. Slowly, through an administrative directive known as the First and Second Philippine Commissions, the United States began to shape the Philippine government by creating a legislature, a judicial system, a system of free public elementary education and eventually the Philippine Senate. These steps eventually led to the Tydings-McDuffie Act (officially known as the Philippine Independence Act) that was approved by the U.S. Senate on March 24, 1934, and set Independence for the Philippines for 10 years later.

The Japanese initiation of hostilities in the Pacific in December 1941 intervened. The subsequent occupation by Japan of the Philippines, and the shared experiences and bloodshed by the American and Filipinos in Bataan, the infamous 'Bataan Death March' (where average Filipinos civilians would literally risk their own lives to throw foodstuff and provide comfort to starving U.S. prisoners), and the U.S.-Philippine resistance to the Japanese occupation created bonds of affection amongst both peoples that endure today.<sup>6</sup> Following the end of the war, the Treaty of Manila was signed in 1946 between the government of the U.S. and the Philippines. It recognized the independence of the Republic of the Philippines and officially relinquished American sovereignty over the Philippine islands. This bond between the American and Filipino people, however, did not automatically translate into good bilateral relations between either the nations or with the Philippine aristocracy who populated that government. In fact, over the next decade the relationship still greatly resembled the old one. Over time, as the reality of Philippine independence and nationalism sank in, and confidence in their own abilities grew, so did desires to assert that independence.

Until November 1992, according to the 1947 Military Base Agreement, the U.S. maintained and operated major Air and Naval bases at Clark Air Base, Subic Bay Naval Complex, and several other small, scattered installations in the Philippines. In August 1991, negotiators from both countries reached agreement on a draft treaty providing for the use of Subic Bay Navy Base for ten years. The new draft did not cover Clark Air Base, which had been so heavily damaged by the June 12-13, 1991 eruption of Mount Pinatubo that the United States had decided to abandon it.

In September of that year, the Philippine Senate voted down the new base treaty, which ushered in further efforts on both sides to salvage the situation, but the two sides failed to reach an agreement. As a result, the Philippine government informed the United States on December 6, 1991, that it would have one year to complete withdrawal. That withdrawal by the U.S. Air Force and Navy was actually completed slightly ahead of schedule on November 24, 1992. The United States left behind and transferred \$1.3 billion worth of assets to the Philippines that included an airport and a major ship-repair facility. The Philippine Senate's rejection of the presence of U.S. military bases adjoining the South China Sea, as it was intended to do, put to rest any lingering suspicions by many newly independent nations in Southeast Asia that the Philippines was not a truly sovereign nation. While the Philippines was awash in a new found

nationalistic pride, little effort was made by the government to restructure the AFP to the new fiscal reality.

From post-World War II until the U.S. base closures in 1992, the United States supported the AFP with Foreign Military Financing, which eventually peaked at \$200 million per year by 1992. The U.S. military bases provided training and technical assistance as a favor to the AFP. Following the military base closures, virtually all U.S. direct support of the AFP ceased. The AFP never recovered from this abrupt loss of U.S. support because the Philippine government did not fill the resource gap and continued to fund the AFP at previous levels plus inflation for more than a decade. The result was a steady, gradual decline in AFP capabilities, which was later referred to as the 13-year "death spiral."

In the years prior to the base closures, the United States held little interest in what the AFP actually did with its grant money.<sup>7</sup> The U.S. military assigned to the Philippines as well as the policy makers in Washington were mostly concerned with the complicated business of coordinating and ensuring the efficient flow of U.S. grant aid to the AFP. Unlike today, where Foreign Military Financing is prescriptive, grants to the Philippines prior to 1991 were largely focused on combat systems without much thought to spare parts, technical training, life-cycle management, and general logistical sustainment of those systems.

The AFP's dependency on the U.S. military's presence was unceasing. The Philippine Air Force, prior to the closure of Clark, in many instances simply had to walk across the hanger floor and ask a U.S. service member for any required repair parts, or to calibrate sensitive instruments on U.S. machines because either the Philippine Air Force equipment was inoperable or it simply did not exist. The Philippine Navy too, benefited from the presence and proximity of U.S. Naval forces based in the Philippines, particularly in the form of technical assistance to keep electronic equipment serviceable.

In addition to FMF and the technical support, the AFP had become dependent upon U.S. Excess Defense Articles (EDA). In the U.S. system, equipment deemed unneeded is turned in or stored by the services. Under this system, the U.S. Congress may grant a request by a foreign power for EDA under certain conditions. U.S. origin equipment, such as small arms, M-113 armored personnel carriers, M35 2.5 ton trucks, UH-1 helicopters and all types of ammunition, spare parts, matched with U.S. technical expertise already present in the Philippines, kept the AFP operational and able to keep the insurrections in Mindanao and their ongoing struggle with communist revolutionary forces largely in check.<sup>8</sup>

Entire generations of AFP leadership came to rely on the flow of second hand items from the U.S. Without any apparent encouragement from their American benefactors, the AFP never developed a culture of maintenance. The AFP assumed, correctly, that additional equipment would flow more or less automatically. More disastrously for the AFP, post Ferdinand Marcos administrations and the Philippine Congress were all too aware of the value of the U.S. grant aid, and deliberately offset the AFP's budget accordingly, making the Philippines one of the most chronically underfunded militaries in the world.<sup>9</sup> The problems were compounded at the

DND, which ran Philippine equipment purchases and acquisitions virtually independently of the needs of the Armed Services. The services' budgets reflected this too, and all the services placed their available funds to pay the service members, operations and for acquisition to address the needs the DND could not. Budgets to support sustainment operations were virtually ignored, as the services had learned to accept risk because of the yearly influx of EDA from the U.S. Over time, this resulted in a steady erosion of the AFP's abilities in maintenance planning, logistics, and even budgeting, as defense allocations in the Philippines were based on yearly budgets.

The U.S. system of military grant aid, including EDA and its overall priority system of allocation, worked well for the Philippines from independence in 1947, until the end of the Cold War when flow of EDA hardware began to dry, as the U.S. began to 'right size' its military. The U.S. was determined to enjoy a 'Peace Dividend,' and U.S. military budgets began to contract accordingly. Suddenly, ships, aircraft, and other equipment destined for transfer to foreign nations found an extended life serving in the U.S. military.

However, the closing of the bases did not mean the end of the U.S.-Philippine military-military relationship. That relationship, still based on an active mutual defense treaty, was simply maintained at a low level. U.S. recognition of the condition of the military capabilities of its defense ally was not a new concern post 9/11. The AFP, along with the DOD and U.S. PACOM, were still making the best out of the current mil-mil relationship after the Philippine Senate's decision. The need to assist the Philippines to re-tool its defense establishment was an idea that had support in both nations, but the political conditions in the wake of the nationalistic environment after the removal of the U.S. bases created a climate on both sides of the Pacific that made it impossible to move forward with the concept of U.S. assisted defense reform.

### **The Joint Defense Assessment and moving 'from Transactional to a Transformational' relationship**

From 1999 to 2003, Philippine and US defense planners and analysts conducted a series of assessments with respect to the capability of the AFP to perform its essential missions, including internal security operations, territorial defense, disaster relief and humanitarian assistance, search and rescue, maritime security, support to national development, and support to regional and global initiatives.

In October 1999, the Joint Defense Assessment (JDA) began as a policy level discussion between the Philippine Secretary of National Defense and the US Secretary of Defense. In the same year, the assessment process formally commenced under the Phillipine-U.S. Defense Experts Exchange, where a delegation from the DND went to the U.S. Department of Defense (DoD) to explore ways to undertake a joint AFP capability assessment. In 2000, the AFP, together with Subject Matter Experts from PACOM, conducted a qualitative capability assessment, which yielded an initial JDA report in 2001. The following year, a more comprehensive and quantitative assessment was conducted, which included an initial Notional Plan.

The 2001 JDA provided an objective evaluation of Philippine defense capability and allowed an external observer to aptly and accurately recognize deficiencies and to independently evaluate them. However, the use of information provided to US defense planners and analysts is solely for capability assessment purposes. JDA was jointly undertaken for the shared interest of enhancing defense and security relations between treaty allies. As such, the JDA was a Philippine-led and US-assisted endeavor. Through this assessment, both nations worked closely to understand and align their mutual interests to better address current and emerging threats. However, for their part, the AFP and much of the DND were not thrilled by the implications of the process.

The dialogue on Philippine defense capabilities was elevated to the strategic level during President Arroyo's May 2003 state visit to Washington DC. During that visit, President Arroyo requested U.S. assistance in conducting a strategic assessment of the Philippine defense system as part of a larger defense reform agenda. This led to a follow-up JDA and formulation of recommendations addressing deficiencies found in the Philippine defense structure.

On the eve of the 2003 assessment, and perhaps in anticipation of the final result, the DND created The Joint Defense Assessment Planning and Implementation Group,<sup>10</sup> with DND Order #183. It also felt compelled to include the following statement with regards to the assessment;

“The JDA does not pave the way for U.S. civilian and military personnel to be permanently based in the Philippines nor to intervene or meddle in the management of our nation's security. While the JDA as a joint undertaking yielded findings that serve as basis to embark on a program to enhance the defense and security capability of the DND and AFP, the direction and pace of the transformation of our defense and military institutions is ours to decide upon as a sovereign nation.”

The results of the 2003 JDA were devastating. The JDA findings revealed that the AFP was only partially capable of performing its most critical missions. Moreover, the results pointed overwhelmingly toward institutional and strategic deficiencies as being the root cause of most of the shortcomings. A common thread in all: the lack of strategy-based planning that would focus DND/AFP on addressing priority threats and link capability requirements with the acquisition process.

Specifically, the JDA revealed critical deficiencies in the following specific areas:

- Systemic approach to policy planning
- Personnel management and leadership
- Defense expenditures and budgeting
- Acquisition
- Supply and maintenance
- Quality assurance for existing industrial base
- Infrastructure support

Also included in the JDA findings were critical operational/near-term deficiencies in the following capabilities:

- Operations and Training
- Intelligence
- Logistics
- Communications
- Civil-military Operations (CMO)
- Information Operations (IO)

Finally, JDA results indicated deficiencies in critical supporting functional areas, such as Medical support, Engineering, Finance, Acquisition, Manpower, Inspector General System and Infrastructure.

During President George W. Bush's October 2003 reciprocal visit to the Philippines, he and President Arroyo issued a joint statement expressing their commitment to embark upon a multi-year plan to implement the JDA recommendations. The Philippine Defense Reform (PDR) Program is the result of that agreement. The JDA specifically identified 65 key areas and 207 ancillary areas of concern. These were reduced to ten broad-based and inter-related recommendations that later became the basis for what became known as the PDR Priority Programs. The ten are:

1. Multi-Year Defense Planning System (MYDPS)
2. Improve Intelligence, Operations, and Training Capacities
3. Improve Logistics Capacity
4. Professional Development Program
5. Improve Personnel Management System
6. Multi-year Capabilities Upgrade Program (CUP)
7. Optimization of Defense Budget and Improvement of Management Controls
8. Centrally Managed Defense Acquisition System Manned by a Professional Workforce
9. Development of Strategic Communication Capability
10. Information Management Development Program

Over the next several years, these ten priority programs were to morph slightly, or evolve as new requirements became apparent. Significantly, Program Number One would eventually develop its own new branch system that would later be known as the Defense System of Management (DSOM). In addition, Operations Functions would become its own priority program, and some logistics and acquisition programs would combine. Two other critical areas,

Manpower Management and Doctrine Development, were to emerge, and were later designated as high priority projects.

The JDA results and subsequent recommendations provided the Arroyo Administration the political cover it required to enter into such a critical endeavor with the U.S. The issue split pragmatists from nationalists within her administration as well as the overall defense establishment. In part due to both national pride and post colonial feelings of the Philippine political class, the administration did not overly stress the endeavor, and largely played down the effort domestically. Pragmatism, however, won the day and the DND later explained the need for the PDR in a handbook this way:

The JDA concluded that the AFP's capability to execute its missions was rated as generally *Minus (-) Partial Mission Capable*, a vital indicator of the critical condition of the Philippine military's capability to perform its various mandates. Failure to effectively carry out AFP missions was largely attributed to systemic deficiencies found within the defense and military establishment. Generally, due to systemic gaps in policy planning and development, personnel management and leadership, budgeting and resource management and defense acquisition, the AFP has found it difficult to sustain efforts that will finally resolve threats to national security. *Ad hoc* decision-making by military leaders failed to maximize scarce resources and exacerbated the inability to implement complex plans and complicated operations.<sup>11</sup>

Arroyo, for her part, also was mindful of the recent history of violent Philippine democracy, and the direct role played by portions of the DND and AFP in the seven officially recognized attempts at regime change in the Republic, (to include the military intervention that swept her to power in 2001), all *since* the People Power Revolution in 1986. Her decision to risk the wrath of vocal domestic opposition politicians was at least partially due to her desire to preclude any further military adventurism by the AFP.

Another tactic intended to preclude military adventurism and keep civil control over the military, is frequent changes of senior military leadership. While to an extent this is understandable, changes of senior leadership in the Philippines usually involve changes of entire staffs, with famously disruptive transitions as newly appointed leaders and their staffs learn from scratch -- with predictable results. This policy was typified in 2004 when a Philippines Air Force general was rewarded for his loyalty to the president during the 2001 transition of power with a 90-day stint as Chief of Staff of the AFP. Sadly, this policy remained active for the remainder of President Arroyo's administration, and made sustainment of PDR programs that much harder.

### **Merging post 9/11 Counter Terrorist Security Assistance into the PDR, and the Nuts and Bolts of Reform**

As mentioned earlier, in October 1999, the U.S. DoD and Philippine DND initiated policy-level discussions aimed at finding the best way to assist the Philippines in the development of a credible defense capability. In 2001, a narrower scoped and less formal JDA than the 2003 version, set the stage for Department of State military grant aid programs designed to improve

the AFP's 'center of gravity', its critical lack of mobility to fight around the archipelago. The following two major Security Assistance programs were established:

First, the Mobility Maintenance Program, a plan developed by U.S. PACOM and the U.S. Embassy's Joint U.S. Military Assistance Group (JUSMAG-Philippines) developed a five-year plan to improve the AFP key mobility systems and presented it to U.S. Department of State's for FY02 Foreign Military Finance (FMF) grant consideration.

The Mobility Maintenance Program originally funded logistics and maintenance support for AFP's four major mobility systems; M35 2.5-ton trucks, 78' Fast Patrol Craft, C-130 aircraft and UH-1H helicopters and included;

- Spare and repair parts for all four systems
- Programmed Depot Maintenance for C-130 aircraft
- Planned Restrictive Availabilities (Depot Level Overhaul) and Emergent Restrictive Availabilities for 78' Fast Patrol Crafts
- An eight-man Technical Assistance Field Team (TAFT)

Originally envisioned as a "shot in the arm" to AFP maintenance and logistics capabilities to improve mobility in support of the War on Terror, the intent was to assist the AFP in the short term with their C-130s, 78' patrol vessels and UH-1 Helicopters, as well as to gain control over the 'cannibalization' of these critical systems and to give them time to properly budget for equipment life cycles, operational costs, and appropriate maintenance program improvements. The original FMF funding scheme was \$19 million in 2002, \$20 million in 2003, and then reduced to only \$5 million in 2006 while the AFP gradually took over funding responsibilities for their system's operational readiness. However, by 2005 the United States sustained Mobility Maintenance Program funding levels without any corresponding contributions.<sup>12</sup> In order to prepare for eventual Philippine funding, the JUSMAG and the AFP J4 immediately established the appropriate Foreign Military Sales (FMS) cases to support the elements of the Mobility Maintenance Program. The Mobility Maintenance Program began with the appropriately funded Foreign Military Sales cases and Technical Assistance Field Team deployed to the Philippines in early 2003.

By 2005, concurrent with the overall PDR effort, the Technical Assistance Field Team was included in the PDR and renamed the PDR Logistics Team (PDR-LT), which included an expansion of their original focus, and provided additional technical support in the areas of M101/102 Howitzers, MG-520 helicopters, OV-10 aircraft, logistics automation, supply warehousing, and general aircraft technical support. These added responsibilities increased the team composition from eight to 14 U.S. contractors and seven local national personnel. Funding for the PDR-LT was included in the United States FMF contribution to the PDR of \$4.2 million for 2007 and later included in PDR Program 3 (Logistics).

The selected AFP systems enjoyed all-time high operational readiness rates largely because the Mobility Maintenance Program made it necessary to maintain readiness if the AFP was to continue to carry the fight to the enemy. However, while widely respected for their technical expertise and assistance to the AFP, the PDR-LT was a constant source of irritation to the AFP,

who didn't care for either the PDR-LT's unbiased reporting on their actual material readiness, nor the perception, one frequently trumpeted by the U.S., that the PDR-LT's presence was necessary to sustain the AFP. Once the U.S. funding ceased, the DND and AFP made the decision not to fund the PDR-LT, but only continue their own support to the Maintenance Mobility Plan by funding the Foreign Military Sales cases that provided spare parts and services for the program. The PDR-LT departed the Philippines, mission complete, in early 2009.

Second, the Counter-Terrorism (CT) Programs. One of the first U.S. responses to the 9/11 attacks was to grant a massive influx of FMF grant funds to 'front-line' terrorist states. With its ongoing struggle with the Abu Sayyaf (who were still holding the Kansas missionary couple, Martin and Gracia Burnham) the Philippines greatly benefited from this unexpected boom. In FY 02, the Philippines was the recipient of \$25 million in Counter Terrorism related FMF funds, followed by a \$30 million infusion in the FY 03 budget. The special 'CT' Foreign Military Financing was intended to create 'direct action' counter-terrorist capabilities and support for the AFP, who didn't have any capability of the sort. This financing, under the prescription of the U.S., was utilized to fund the creation, training and equipping for three Light Reaction Companies, six Light Infantry Battalions, 12 SEAL teams of the Naval Special Operations Group, Philippine Intelligence Modernization, and Night Vision Capable UH-1H helicopters. The U.S. took on the initial sustainment of these CT programs following their execution using \$3-4 million of the annual FMF grants because of their unprecedented success in providing the tools necessary to prosecute CT and insurgency operations. In addition that the AFP was still not financially prepared to fully support these relatively new capabilities within their force structure.

### **Defining the PDR: A Philippine perspective, and the need to justify U.S. collaboration**

The PDR envisions achievement of both strategic and operational goals and ultimately creates a positive impact on the Philippine defense and military establishments, plus, hopefully, ignites a broader sense of reform across the breadth of the Philippine Government. However, the first priority, the need to reform the Philippine Defense establishment, was clearly in the interests of the nation as well as to enhance its ability to interact with other defense establishments with anything like an equal footing. But how?

The primary focus of the reform on the defense establishment is obviously to create a strong, capable, and responsive defense establishment by addressing systematic deficiencies in the core competence of the Philippine defense and military establishment.

The PDR is a multi-year effort intended to bring about institutional reform in an environment of limited Philippine and DND resources. The vision of a transformed defense and military establishment capable of responding to current and emerging national security threats, clearly cannot be realized overnight, and should come about based on steady progress in the implementation of short-term reforms, the enactment of very fundamental defense management processes and the sound management of obstacles and challenges in the course of the reform process. The PDR seeks to achieve positive results at various levels in various phases.

Secretary of National Defense Order 183 also makes a case why cooperation with the U.S., anticipating a painful experience, was for the overall good of the Republic:

'Since the US is our principal defense and security treaty ally, the PDR founded on the JDA becomes an important means to harness the potential of bilateral cooperation by upgrading defense capability in order to significantly respond to common concerns in the continually evolving global security environment. The status of the Philippines as a Major Non-NATO Ally opens further opportunities for expanded security cooperation from the US. PDR therefore becomes a crucial vehicle for enhanced cooperation that will yield broad improvements in our defense and security capability and foster a stronger and more dependable bilateral alliance.'

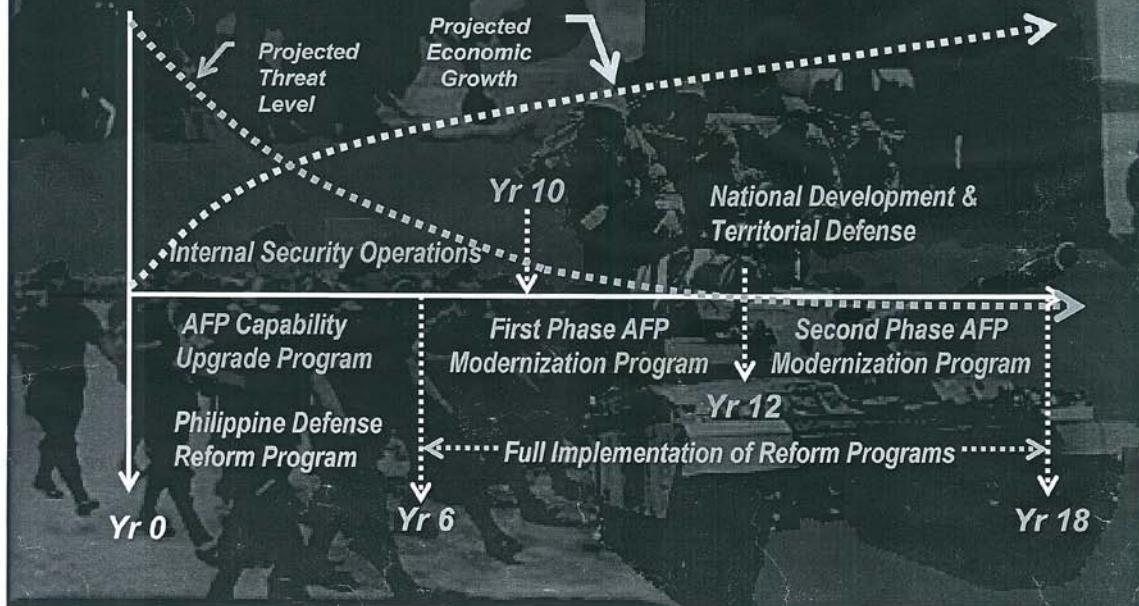
The then Secretary of National Defense, Avelino J. Cruz Jr., explained the need for PDR and hinted at the need for close cooperation with the U.S. by saying;

"Thus, we have set the goal of transforming our institutions while we continue performing our missions. PDR provides an overarching framework to implement key Joint Defense Assessment recommendations, which have become the foundation of a broad defense reform agenda that address short-term operational requirements and herald long-term improvements in the Philippine defense and military establishment. The Philippine Defense Reform program seeks to introduce comprehensive, institutional and systemic reforms in the defense establishment. Under the PDR, the broad improvements that are being introduced are based on best practices and templates for defense reform that have been tried and tested in several countries that have already undergone reforms with much success.<sup>13</sup>

Philippine Defense Reforms starts with a base set of facts and assumptions in order to provide shape and parameters to a plan of execution strategy. In the case of the Philippines, the framework for reforms are based on an environment of increasing economic prowess and a gradually decreasing threat level over time, as illustrated on the DND chart below;

# A LONG VIEW OF THREATS, REFORM AND CAPABILITY DEVELOPMENT

*“Defense capability is a national investment”*



From the perspective of the Philippine Defense establishment, PDR seeks to address these improvements. They are:

- (1) *AFP Capability Gaps*, in all the basics, specifically operations, intelligence and civil military operations by providing adequate training, equipment and resources. PDR then seeks to enable the AFP to effectively fulfill its mission.
- (2) The PDR also envisions seamless operation and synergy through *Jointness/Interoperability* in the Armed Forces. PDR is a vehicle to optimize utility of resources by developing proficiency in the conduct of joint operations. With PDR, there will be no crisis handled by one major service only as in the past.
- (3) *Effective Internal Security Operations* is also a major focus of PDR, and strives to enable the AFP to effectively conduct Internal Security Operations and address insurgency by linking strategy to resources determination supported with a multi-year budget process. Likewise, by fusing intelligence, civil-military operations, IO, and other operational enablers, the AFP can combat insurgency more effectively.

(4) PDR also intends to *Enhance Capability to Counter Terrorism and Other Transnational Threats* by bringing about a highly capable AFP that can effectively combat global terrorism and other transnational threats such as maritime piracy, drug trafficking, human smuggling, and illegal fishing. It will also enhance AFP capability in regional security initiatives.

(5) *Sustained Operations*. PDR seeks to complement the Armed Forces Capabilities Upgrade Program by providing sustainment and/or long-term viability of acquired capabilities. Without reforms, operational capability would eventually weaken because of faulty systems within the defense establishment.

(6) *Cost-Effective Operations*. PDR will provide a link between strategies and available resources aided with other management tools or U.S. assistance, such as the Defense Resource Management System (DRMS), and the new PDR based Defense Acquisition System.

(7) *Accountability and Transparency in the DND*. PDR will also enable the DND to optimize its limited financial resources. It shall also establish a stronger check and balance system that will reduce opportunities for graft and corruption, thus promoting accountability and transparency.

(8) *Professionalism in the AFP*. Through the PDR, the defense and military establishment will carry out reforms that impact on personnel concerns of AFP such as promotions, assignments, and training, among others.

(9) *Active Involvement of AFP in the Peace Process*, with PDR, the AFP will be able to carry out its tasks apart from its basic mission of protecting the people from internal security threats. With a strengthened capability, the AFP will be able to undertake its support role in the social development initiatives of the Government designed to address the root causes of insurgency.<sup>14</sup>

According to the goals stated in the Philippines Defense Reform Handbook:<sup>15</sup>

"The PDR serves as the overall framework to re-engineer our systems and re-tool our personnel. *Re-engineering* the systems means introducing improvements in planning, programming, budgeting, logistics, procurement, management and finance, among other critical functional areas. *Re-tooling* the personnel means professionalizing the workforce by establishing effective staff development programs and introducing updated personnel management systems, as well as increasing training capacity in order to improve core competencies. PDR also aims to promote cost-effectiveness and efficiency and attain and sustain a long-term balance among the following, within financial limits: (1) Forces and Personnel (Structure); (2) Equipment, Systems and Facilities (Investment); and (3) Training, Operations, Stocks, Facilities, Utilization and Sustainment (Readiness and Operations)."

The Handbook goes further to explain the extent of planned PDR reforms another way;

"Reform" in the context of Philippine Defense Reform (PDR), which is currently being undertaken at the Department of National Defense (DND), is defined as a steady process of institutional transformation composed of a series of sustained and cumulative changes starting at its most basic levels. We view reform as a necessary process that

will transform our people, systems and organization in order make it more capable to perform its mandate of defending the Filipino people and the State."

In one of the first significant PDR inspired events, on 28 December 2004, the Secretary of National Defense issued the first-ever Defense Planning Guidance (DPG), covering a six-year period from 2006 to 2011. The DPG ushers in strategy-driven and capability-based planning in the defense and military establishment. It is an important step in providing the institutional foundation for responsible defense resource management and capability development. Through this, the DND and AFP will be equipped with a rational and coherent framework for planning and budgeting so that the defense and military establishment can be resolute in its will and deliberate in its means towards the fulfillment of its mission. The planning, programming, and budgeting of the DND and AFP accomplished within the DPG takes into account the seven mission areas that constitute the current national defense imperatives:

*Internal Security.* Internal Security Operations, to support peace, order and security of the Malampaya Gas Project. This also entails the resolution of insurgency and other threats posed by the new People's Army, or Southern Philippines Secessionist Groups, principally f the Moro Islamic Liberation Front, Bangsamoro Islamic Armed Forces, and Abu Sayyaf Group; and Jemaah Islamiyah.

*Territorial Defense.* This mission area consists of defending the national territory and its Exclusive Economic Zone from external aggression and transnational threats. At present, territorial defense is anchored on proactive defense diplomacy and confidence-building measures with neighboring countries and bilateral and multilateral ties with international allies.

*Disaster Response.* This mission area involves the conduct of disaster relief and rescue operations in the different calamity and disaster-stricken areas of the country. The AFP provides its assets in the immediate conduct of search and rescue, relief, evacuation and rehabilitation operations.

*Support to National Development.* This mission area involves, among others, undertaking civil infrastructure projects and providing assistance to veterans. The AFP, through its engineering and construction units, builds roads, bridges, and schools to spur economic development in the countryside.

*International Defense and Security Engagements.* The Philippines operates in an external security environment where increased defense and security concerns have ushered in a trend for heightened cooperation among governments, particularly at the regional level. Thus, the overall objective in this mission area is to remain engaged with security partners in the Asia-Pacific region.

*International Humanitarian Assistance and Peacekeeping Operations.* The overall objective in this mission area is to generate military capabilities that can make a meaningful contribution to international peace and security.

*Force-Level Central Command and Control, Support, and Training.* This thrust provides supporting capabilities across all mission areas. These capabilities include resource

management, capability reporting, analytical and planning capacities, and training and education.

### **The Philippine Defense Reform Roadmap**

The Philippine Defense Reform follows a three-phased roadmap in its implementation plan toward creating a strong, capable, and responsive defense establishment that consists of: (1) creating the environment for reform; (2) enabling the defense establishment; and, (3) implementing and institutionalizing reform. PDR follows a building block approach which essentially builds on the gains of each step in the reform phase in order to generate a cumulative effect of the entire reform process.<sup>16</sup> The 3 phases are illustrated in the graphic below;

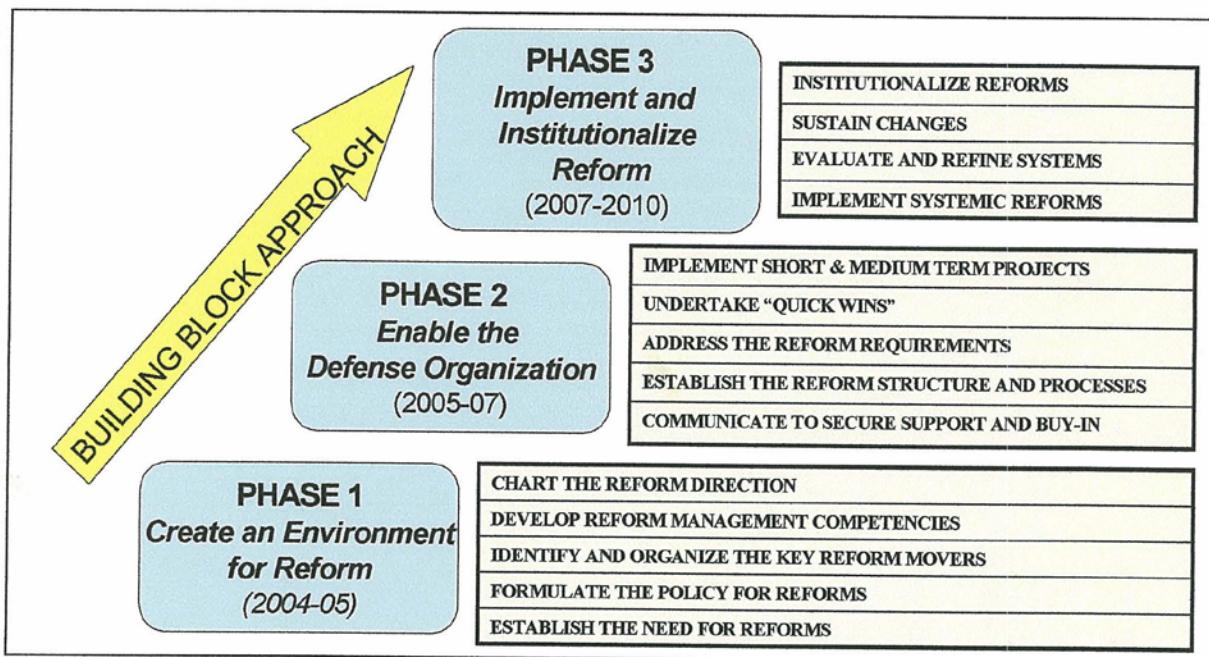


Figure 2. The PDR Roadmap

#### ***Phase 1. Creating the environment for reform:***

A critical part in building a reform environment is the identification of key reform movers and the establishment of a structure that would properly identify functions, responsibilities, and linkages. These key individuals champion the reform effort and provide a vision for the future. They also monitor the change process and help the organization in matching efforts and results with the intended objectives.

To kick-start the reform process, the Joint Defense Assessment Planning and Implementation Group (JDA-PAIG) was created on October 18, 2003 through Department Order 183. The JDA-PAIG under the supervision of the Office of the President was tasked to implement the JDA recommendations through the development of Plans of Action and Milestones (POA&Ms). The

JDA-PAIG later became known as the Office of the Undersecretary for Philippine Defense Reform (OUSPDR) and organized as follows;

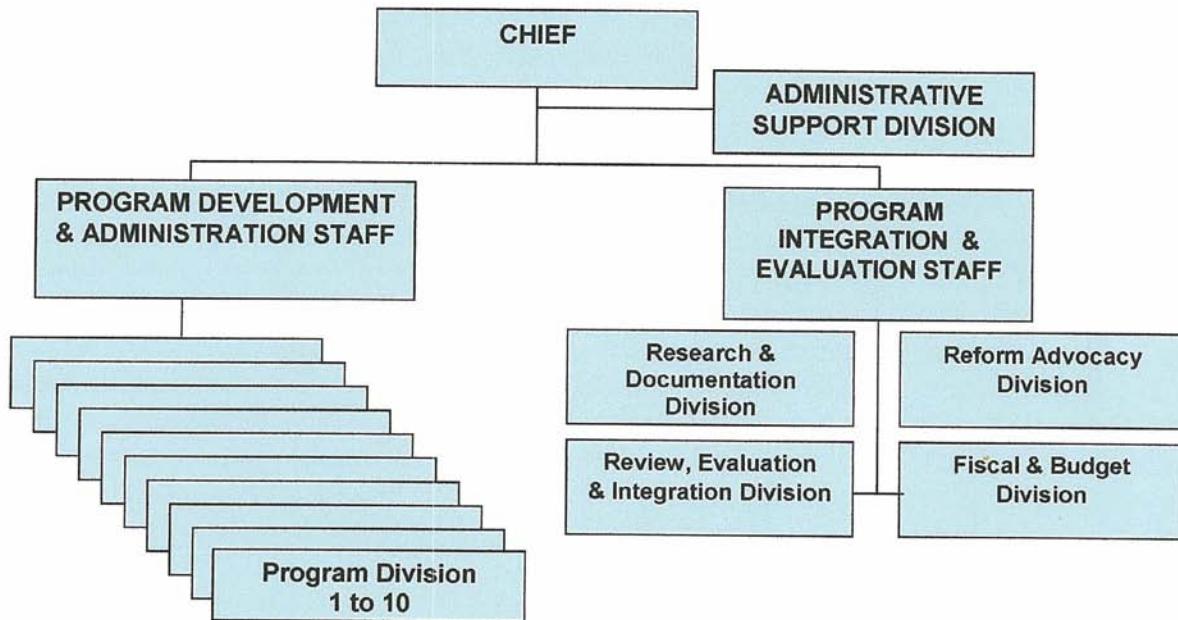


Figure 3. PDR Organization

At the helm of the PDR organization is the Undersecretary for Civil, Veterans, and Reserve Affairs who is responsible for planning, facilitation, integration, and monitoring of the PDR Program. Having a broad PDR program base, the PDR structure is supported by separate services, i.e., Program Development and Administration Service and Program Integration and Evaluation Service.

Program Development and Administration Service is responsible for the development of POA&Ms, in cooperation with concerned DND agencies, on all reform areas within the DND structure. It is also in-charge of managing the implementation of POA&Ms undertaken by concerned DND bureaus, agencies, and offices.

The Program Integration and Evaluation Service is responsible for managing the review and evaluation of POA&Ms, monitoring the progress of the reform programs being implemented according to identified evaluation measures, and preparing appropriate recommendations to improve program and project implementation. Research, communication, and advocacy of PDR and the preparation of budget proposals are also integral to the Program Integration and Evaluation Service.

When the need for change is established and the right people for the reform effort are identified, visioning and planning come next. Charting the reform roadmap involves describing the future state, describing the present state, assessing the present state based on the future state, and

planning for the reform. These activities require the involvement of the stakeholders from the defense and military establishment in order to promote acceptance and enlist their participation in the entire change effort. In the context of PDR, the Office of the Undersecretary for Phillipine Defense Reform has facilitated the development of Plans of Actions and Milestones (POA&Ms) for each of the PDR programs. A POA&M is essentially a roadmap for each program. It outlines the goals and objectives of each program, necessary reforms and milestones, a series of actions and corresponding deliverables, and a set of measures to evaluate the progress of the programs and to provide overview of resources and funding.

### ***Phase 2. Enabling the Defense Organization***

The second phase entails preparing and equipping the entire defense organization for the reform tasks. This involves communicating the value and benefits of reforms to generate 'buy-in', addressing the reform requirements such as resources and necessary skills, undertaking "quick win" projects or readily implementable, high-impact projects, and implementing short and medium-term projects.

DND communicates to secure support and 'Buy-In' to shape and managing the reform environment. This is accomplished primarily through communication that is crucial in developing constituencies supportive of the PDR. The DND leadership believes that without buy-in and active participation from the stakeholders, no reform can successfully be implemented.

To ensure a systematic mode at communicating PDR, the DND puts emphasis on the importance of a Strategic Communication Plan. The Plan that the DND has crafted seeks to foster a reform environment conducive to the successful implementation of reforms. It is basically designed to inform, educate, and engage stakeholders so as to facilitate meaningful inputs into the reform process and into the communication itself.

Building confidence and trust among stakeholders is an important factor in encouraging active participation both internally and externally to the defense establishment. This facilitates acceptance of reforms and eventually fosters ownership among the stakeholders.

On November 30, 2005, the Secretary of National Defense issued Department Order No. 82 (DO 82). This directive created the *PDR Board* and formalized the reform organizational set-up between the DND and the AFP. It also laid down the workflow and the decision-making process for developing PDR plans and implementing the reform initiatives. Through Department Order No. 82, the management structure and processes for implementing PDR Programs and Projects were defined. DO 82 established the tasks and responsibilities of key players, determined the processes and procedures that govern the planning and implementation of key programs, and identified areas of linkages and/or relationships between players.

The process of implementing the PDR begins with the crafting of POA&Ms by the Program Directors in consultation with concerned stakeholders and with the assistance of Subject Matter Experts. The completed POA&Ms then undergo a rigid review and deliberation through the

Program Management Committee and then the PDR Board. Upon approval by the Board, these POA&Ms are endorsed and sent to the Phillipine Secretary of National Defense for final approval and signature. The approved POA&Ms are officially launched through a DND Special Order or Department Order. A broad framework for implementation of reform initiatives, POA&Ms are broken down into Program Management Plans that identify specific areas of reform.

*The PDR Executive Steering Committee.* PDR receives technical assistance from the US Government. To facilitate the joint endeavor, the DND and the US Department of Defense established the PDR Executive Steering Committee. This committee is composed of officials from the DND and the US Defense Security Cooperation Agency. It meets annually to review and evaluate the progress of the PDR implementation. Sub-Committee meetings are also held to resolve issues of mutual concern. Another aspect of US support is the employment of Subject Matter Experts who provide technical expertise and advice on particular priority programs.

*Undertaking "Quick Wins."* Another enabling effort in PDR is the implementation of "quick win" projects. These projects are readily identifiable and achievable components of a PDR program that can be frontloaded in a short span of time to immediately address a concern or deliver an urgent requirement. "Quick win" projects create success stories that energize and motivate the implementers, agents and stakeholders. They serve as good communication messages that promote the overall reform effort. Most importantly, "quick win" projects provide an opportunity to enhance teamwork and learning opportunities among the reform teams.

*Implementing Short and Medium Term Projects.* Another important aspect in keeping the PDR on track is in the implementation of short and medium term projects. PDR serves as the overarching framework for all reforms within the Philippine defense and military establishment. While instituting comprehensive and institutional reforms and improvements at the strategic level, emphasis is also placed on other reform initiatives that contribute to the enhancement of defense institutions. PDR is interfaced with other reform initiatives and seeks to orchestrate, harmonize, and synchronize their comprehensive implementation. These are, the AFP Reform Agenda, Government Procurement Reform Law, and the Organization of the Office of Internal Control.

*AFP Reform Agenda.* PDR aside, no reform is more central to the morale of the AFP than the issues raised in the Davide and Feliciano Fact-Finding Commissions in the wake of AFP backed coup attempts in 1986 and 2003 respectively, which identified legitimate grievances within the military establishment that need to be effectively addressed.

While PDR serves to realize comprehensive, institutional, and systemic reforms that address the root causes of the grievances outlined in the reports of the Davide and Feliciano Commissions. Specific short-term recommendations that can be implemented are already being carried out.

The promotion of the welfare of soldiers and veterans through various programs designed to provide better benefits and services include: (1) Off-base and on-base housing program; (2) Improved AFP medical services; (3) Rationalization of the AFP retirement fund and funding pension benefits; (4) Development of combat life-saving capability; (5) Development of medical evacuation capability; (6) Allocation of benefits to the families of soldiers killed-in-action; (7) Establishment of an effective grievance mechanism; and (8) Scholarships and tuition discounts for soldiers and veterans.<sup>17</sup>

The recommendations outlined in the Feliciano Commission Report aim to address issues that have been exploited in the past to foment military restiveness. The recommendations focus on addressing Retirement, Separation and Benefits System (RSBS) and procurement problems; providing funding to upgrade the AFP; improving medical services; strengthening records systems of personal data of soldiers and dependents through computerization; and, addressing various housing problems of the AFP.

*Government Procurement Reform Law.* A great source of contention within the AFP is the fact that the management of defense acquisitions has been handled by 119 separate Bids and Awards Committees scattered throughout the DND and AFP. As a result, the AFP has not been able to prioritize acquisition requirements consistent with a long-term acquisition strategy. The Government Procurement Reform Act, governs and applies to the procurement of: (a) infrastructure projects; (b) goods; and, (c) consulting services, by any branch, agency, department, bureau, office, or instrumentality of the Government, including government-owned and/or -controlled corporations, government financial institutions, state universities and colleges, and local government units. Two important provisions in the GPRA are the creation of a single Bids and Awards Committee for the procurement activities of each procuring entity and provisions for procurement by electronic means in order to promote transparency and efficiency.<sup>18</sup>

To address the requirements under the GPRA, resolutions from the Government Procurement Policy Board simplified procurement processes were adopted to meet the peculiar logistical requirements of the AFP.

After the 119 Bids and Awards Committees were reduced into a single Bids and Awards Committee, needed adjustments were considered to address the current bottlenecks in the procurement process. As a result, this allows the AFP to prioritize acquisition requirements consistent with a long-term acquisition strategy.

As a result of these improvements in defense procurement processes as well as other related initiatives, starting in October 2005, the Department of Budget and Management has begun depositing 417 million pesos each month into the Modernization Trust Fund to fund defense acquisition programs.

*Organization of the Office for Internal Control.* One of the most notable PDR results by the DND was the creation of the Office of the Undersecretary for Internal Control to

institutionalize reforms in the procurement and fund disbursement systems in the DND and AFP. Executive Order 240 encompasses streamlining of procedures for defense contracts for the expeditious implementation of defense projects and the speedy response to security threats while promoting transparency, impartiality, and accountability in government transactions. Executive Order 240 created the DND Office of the Undersecretary for Internal Control whose responsibility includes:

- Recommend and implement improvements in the Procurement and Fund Disbursement Systems of the DND and AFP, and ensure timely delivery of logistical requirements with the right quality and quantity;
- Ensure efficiency of the Procurement and Fund Disbursement of the DND and the AFP vis-a-vis the delivery of the respective mandates and functions of these institutions;
- Ensure that adequate internal controls are in place at the DND and AFP for the conduct of capacity-building activities and skills enhancement training in the areas of procurement and fund disbursement to concerned entities of the DND and AFP. Additionally, equip the latter with appropriate tools and techniques on the same; and facilitate the establishment of a Bids and Awards Committee in the DND for AFP procurement contracts over 50 million pesos. The Office for Internal Control is already in place at the DND. Likewise, internal audit organizations at different levels and covering all the major services in the AFP have been established to continuously monitor the implementation of the defense reform agenda and effectively check existing systems and procedures.

### **Phase 3. Instituting Reforms**

The third and final phase involves executing, sustaining, and institutionalizing the specific systemic reforms in the defense organization. This phase also entails embedding a reform paradigm in the organization to make reform or change a culture in the defense establishment. Each PDR program has its own reform projects that are being implemented by their respective project teams. These projects serve as concrete efforts to institute changes in the defense establishment.

#### **1.) Evaluating and Refining the Systems**

Ensuring a progressive approach at implementing reforms requires adequate evaluation metrics. Thus, Department Order No. 82 prescribes two measures of evaluation, the *Performance Measures and Measures of Effectiveness*.

Performance Measures examines the progress of the program or project from planning to implementation; marks important milestones achieved along a program's life cycle; and monitors compliance to output quality, costs, and time specifications. The second metric is the Measures of Effectiveness which indicates whether reforms have indeed produced the desired results and effects. Both metrics themselves are subject to continuing review and evaluation.

The mechanism for evaluation of reform outcomes and progress is incorporated within the PDR structure through the Program Management Committees and Project Management Teams, and Program Integration and Evaluation Service (PIES) under the Office of the Undersecretary for Philippine Defense Reform. PIES evaluates programs based on the Performance Measures and Measures Of Effectiveness. PIES also evaluate PDR programs against each other to prevent duplications and conflicts between and among them.

## 2.) Sustaining Changes

Reform is essential for a healthy organization. Efforts to improve the organization must be a continuing endeavor not only to fix the systems but also to keep attuned to the changing times, priorities, and the overall organizational conditions. PDR identifies several measures for sustaining reforms and these include reform advocacy; establishing the PDR as a blueprint for reform; providing incentives to reform workers; and forging multilateral linkages with key allies.

As reform tasks are constantly practiced, the process becomes more important than the output. PDR makes it a point to establish frameworks and processes that can be used again and again to ensure progressive developments in the system and organization. This is the reason why great emphasis is placed on documenting the reforms under PDR.

## 3.) Institutionalizing Reforms

Institutionalizing the reforms means setting mechanisms and standards to prevent "backslicing" to the old practices and to ensure continuity of initiated reforms. There are several ways to institutionalize reforms, among which, are the formulation of legal documents and the establishment of organizational structures. In a hierarchy, these documents are policies, Standing Operating Procedures (SOPs), doctrines, circulars, regulations and finally Legislative Acts of Congress or laws. Laws provide the best means of institutionalizing reforms as they are difficult to change.

*A New National Defense Act.* There is currently a bill working through the Philippine legislature that would codify the comprehensive, institutional, and systemic improvements being made through the PDR. The bill will embody other needed improvements in the defense establishment. This initiative will bring about a strengthened organizational identity to provide the focus for the defense establishment to root its programs, structures, and efforts in accordance with stable policies that are founded on law.

One important provision in the draft law is the stabilizing of key leadership positions in the AFP in order to ensure the continuity of programs. The proposed NDA also aims to strengthen professionalism within the AFP ranks through the establishment of a Succession Planning System where compulsory retirement will be reckoned upon completion of thirty years active service rather than by age.

The 'deputization' of AFP units and personnel during elections is also defined in the proposed law. The new law seeks to improve the morale and welfare of AFP personnel through uniform

rules for officers and enlisted personnel in terms of suspension of pay and allowances for personnel undergoing Court Martial. It will also fill the gaps in the existing laws pertaining to retirement and pension systems in the AFP.

Most importantly, the new National Defense Act is a vital mechanism to institutionalize the new systems and processes that are being introduced under the ten PDR programs. It will also strengthen the DND and AFP organization by updating the mandate and policies relating to the defense establishment and strengthening the organizational structure in both the civilian and military bureaus.

*Rationalizing the Organization.* A rationalized defense organization manned by competent personnel can facilitate the task of institutionalizing reforms. At the DND level, the proposed NDA provides for the creation of new structures such as the Strategic Planning Service and Program Analysis and Evaluation Service, and Acquisition and Resource Planning Service and Defense Procurement Service, to support the Multi-Year Defense Planning System and Acquisition System.

The proposed Rationalization and Organizational Adjustment Plan of the DND identifies positions and competencies for civilians to man the new organization. It basically aims to focus the efforts of the DND and AFP on its vital functions and channel resources to core mission areas and important functional areas. Thus, this Plan is expected to improve the efficiency and effectiveness of defense operations and mission accomplishment.

*Embedding Reforms in the Culture.* Change happens only through people. Thus, the emotional effect of change must be taken into account and must be understood by all those involved in the reform process. Understanding resistance and responding to it effectively is a key in the successful implementation of changes. Thus, it is important that specific changes are embedded in the very culture of the defense organization as a way of institutionalizing change, but without offending the emotional concerns of people.

### **Manning and paying for the PDR**

For the United States, the end-state is to develop a competent, coalition partner prepared militarily for domestic and regional responsibilities. The United States provides some funding and support, in an "assist" role, with the Philippines DND in the lead for all aspects of PDR. However, a specific USG exit strategy is not defined.

All ten PDR Priority Program Plans of Action and Milestones (POA&M) incorporate goals, objectives, and milestones but they do not address the U.S. role in the PDR. Their purpose is to guide DND/AFP progress toward achieving reform. These POA&Ms are strategic level tools that the United States has assisted DND to develop to guide the PDR and therefore should not incorporate the U.S. role or timeline for reform accomplishment.

In 2004, the DND/AFP began work on the first five of the ten planned priority areas of PDR with DND initiating efforts on the remaining five priority areas in 2005. The ten priority programs are

in various stages of continuous development and reassessment. In addition, there are thirteen (13) U.S. Subject Matter Experts currently contracted to work with the DND. The Joint U.S. Military Assistance Group and the SMEs are advising and assisting the DND/AFP on a daily basis and greatly influence the course and speed of the reform efforts.

Aside from the Subject Matter Experts, over the last three and a half years, a team from the U.S. Department of Defense's Institute for Defense Analysis has worked closely with DND. It is primarily responsible for the establishment of the Defense System of Management and for progress in PDR Priority Programs 1, 6, 7, and 8.

The rolls and administrative functions of the PDR components are illustrated in the chart below;.

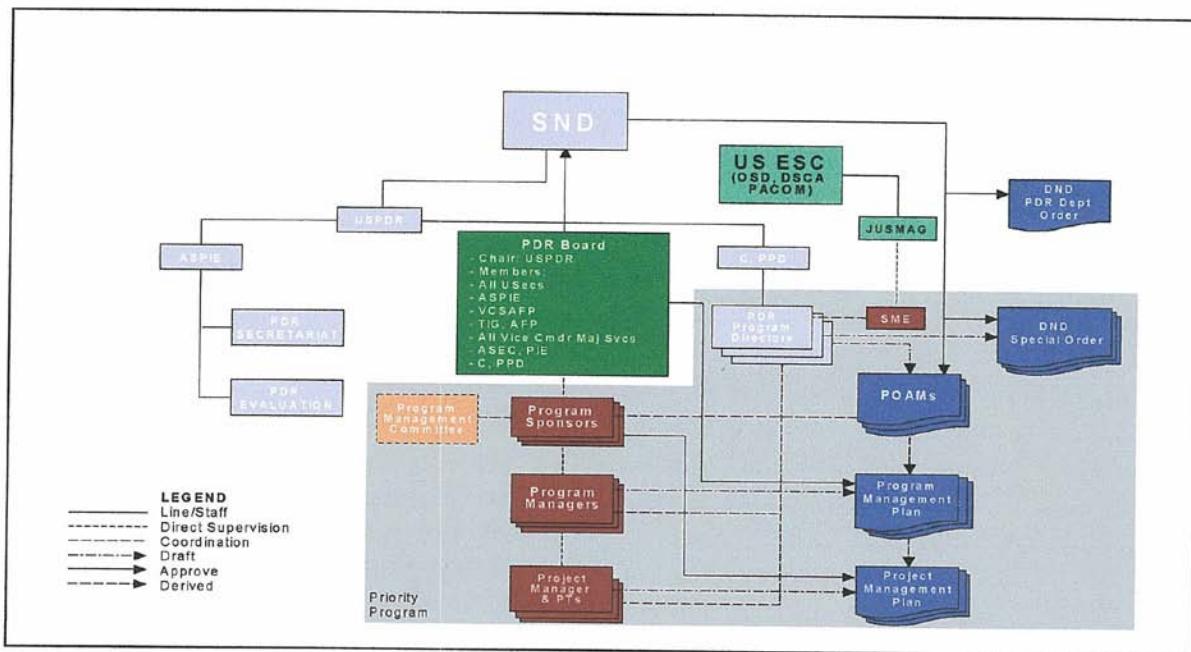


Figure 4. PDR Management Structure and Processes

The PDR Executive Steering Committee Meetings chaired by the DND Undersecretary responsible for PDR and the Principal Director, Security Cooperation Operations, Defense Security Cooperation Agency, meet every six months. A working level PDR Subcommittee Meeting takes place every quarter.

The Secretary of National Defense is the final approving authority for the implementation of programs and projects. He also approves the POA&Ms and formally launches each of the programs by way of a DND Special Order.

PDR Board. To strengthen and underscore a policy-level approach to PDR, the membership of the PDR Board was reconstituted with the release of Department Order 259 on November 19, 2007. This directive reflects the Secretary of National Defense as the new PDR Board

Chairman, the AFP Chief of Staff as the Vice Chairman, and the AFP Major Service Commanders, DND Undersecretaries, and Assistant Secretaries as members.

The Board has the following functions:

- Oversees strategic planning and policy formulation on all matters pertaining to PDR;
- Assesses, deliberates, and passes upon the following core documents needed to effectively manage PDR key programs.
- Assesses, deliberates, and passes upon PDR Legislative Initiatives/Proposals. Aside from the Board, there are many full time components that keep the PDR on track.

The Assistant Secretary for Program Integration and Evaluation (ASPIE) assists the USPDR in overseeing the entire reform effort through the PDR Board. He also acts as the Executive Secretary of the Board and provides administrative and technical support to the Board.

The Chiefs, PDR Program Directorate (C, PPD) assists the USPDR in supervising the reform implementation by overseeing the development of POA&Ms and their implementation.

*The Program Sponsor* provides support and advocacy, overall program oversight, and is ultimately in-charge of program success. As a matter of policy, a Program Sponsor has the rank of Undersecretary. The Program Sponsor may nominate an Assistant Secretary/Director as Assistant Program Sponsor. To date, the sponsorship of the new Undersecretaries vis-à-vis the PDR Programs was realigned to;

- Undersecretary for Defense Affairs (USDA) - Program Nos. 1 &2
- Undersecretary for Civil, Veteran, and Reserve Affairs (USCVRA) - Program No. 9
- Undersecretary for Legal and Special Concerns (USLSC) -Program No. 10
- Presidential Assistant for Internal Affairs (PAIA) – Program Nos. 4, 5, 6, and 7
- Presidential Assistant for Modernization (PAM) – Program Nos. 3, 6, and 8

The Program Manager is the chief executive officer of the program and is responsible for program implementation, management, and guidance. He is also responsible for steering the program and keeping it on course, within defined priorities, schedule, and budget. As a matter of policy, for AFP-level reforms, the Program Manager is preferably a member of the Joint Staff who has functional responsibility over the program's primary area of concern. The Program Manager nominates his Deputy Program Manager, who assists him in the day-to-day execution and implementation of the program. For DND-level reforms, a Program Manager may be an Assistant Secretary or, where appropriate, a General/Flag Officer, depending on the needs of the program.

The Program Directors are under the supervision and control of the Chiefs, PPD, and Program Directors. They serve as the primary movers of the various reform initiatives. They are responsible for crafting the POA&Ms of their respective reform areas.

Program Management Committee. Depending on the complexity of the program, the Program Sponsor and the Program Manager may agree to create their own committee. This may be composed of stakeholders within the DND and AFP, including Subject Matter Experts. For less complex programs, the recommended management mode is through a Program Management Team (PMT), which works directly under the Program Manager.

The Project Managers. When the program is deemed to be too large or complex so as to be ably managed by a single PMT, subordinate Project Managers are appointed to handle the specific projects under each program. Project Managers are under the control and supervision of their respective Program Managers.

The Subject Matter Experts. *The U.S.* SMEs provide technical assistance and expertise in crafting the POA&Ms.

To fund its work, the PDR is funded by a mix of U.S. and Philippine national funds administrated in a variety of methods. Overall, the United States has programming funds from the 2007 FMF grant of \$29.7 million to support the PDR, critical repair, overhaul Foreign Military Sales cases (some of which originated with the Mobility Maintenance Program), and sustainment for the Security Assistance CT programs. However, most of the PDR funding is now coming from the Philippines.

As shows of political will to implement reforms, both the Philippine and U.S. governments have allocated funds for PDR. In 2004, the Philippines deposited 1 billion pesos in the US Federal Treasury or an equivalent of \$17 million. For its part, the US provided a total of \$28 million from 2004 to 2006. The Phillipines funding profile on the other hand included the release of 2 billion pesos in 2005 for pump-priming activities including the AFP Housing Program and AFP logistical requirements. This was followed with an additional Soldier's Welfare fund of 1.5 billion pesos in 2006. In 2006, the six blocks for Capability Upgrade Program were approved and 5 billion pesos was released for the first block. Another 7 billion pesos was released for the AFP Internal Security Operations in 2006. President Arroyo also committed 2 billion pesos a year for PDR starting in 2004 and lasting until 2010.

There are currently 13 separate Foreign Military Sales cases jointly administered in support of various PDR initiatives. Of the 13, two receive combined U.S. and Philippine funding (with an approximate value of \$94 million), while 6 are U.S. funded (valued at \$ 51 million) and the remaining 5 cases are funded exclusively by the Philippines (valued at \$54.6 million).<sup>19</sup> A breakdown of current funding levels is illustrated below;



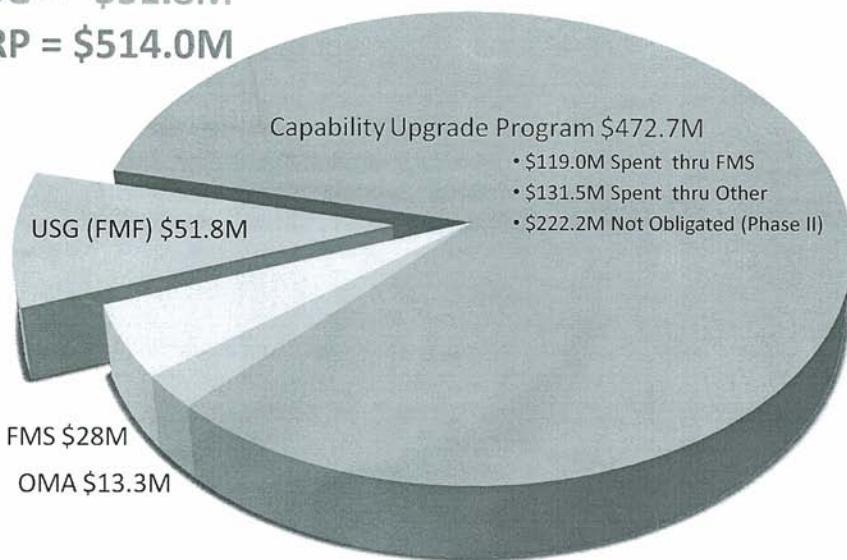
(Unclassified, OCT08)



## Funding USG vs. GRP (04-08)

USG = \$51.8M

GRP = \$514.0M



Peso Rate: 45

The Phillipine Government deposited \$17.5 million into a PDR Foreign Military Sales holding account in 2004., and an additional \$9 million for 2005 and \$12 million in 2006. On January 11, 2007, DND submitted a letter of request to deposit \$11 million in the PDR Foreign Military Sales case to provide continued financial support to the PDR. This date is significant, as it marks the point where Philippine contributions to reform exceeded those of the U.S. These deposits increase its investment to \$28.544 million, approximately \$544,000 more than the U.S. investment of \$28 million to date. The Phillipine Government has also dedicated approximately \$83 million to fund local PDR requirements.

The Capabilities Upgrade Program (CUP) dedicates Philippine Pesos 50 billion (approx. \$1.03 billion) to procure equipment and is divided into two phases with a focus on near term capability upgrades of existing AFP equipment. Phase 1 of the CUP is in the DND/AFP bidding process with the exception of items approved for FMS procurement resulting in over \$110 million worth of requests. This investment into the PDR Foreign Military Sales case account is the largest ever deposit into any Foreign Military Sales case and are by far the largest nationally funded government-to-government military procurement in the history of the Philippines.

**The PDR Results; So far, so good, but are we there yet?**

Progress across the Priority Programs has not been even, but all programs and High Priority Projects are moving in a positive direction. In the first six years since the beginning of the program the most significant gains for the PDR have come in the strategic planning and budgetary fields, where those responsible for financial and resource management within the DND can more clearly see and understand the value of PDR. There has also been significant movement in the DND acquisition systems and creating transparency in a system that was, and in many instances still is notoriously lacking. Some areas, like the management of personnel and the development and empowerment of Philippine non-commissioned officers faces significant cultural hurdles in the patriarchal society of the Philippines. While not on the timetable originally envisioned in Washington in 2001, PDR continues to make significant strides in the overall goal of modernizing and professionalizing the defense establishment.

In order to gage PDR progress, we can examine the progress of the core programs that act as the framework of the overall reform effort. Specifically, we will examine the first major Philippines initiated byproduct of the PDR effort, the Defense System of Management, as well as the original 10 programs areas initially identified during the early joint defense assessments, and finally the two high priority projects, co-equal in importance to the original 10 programs, that were developed in the early stages of the PDR process;

### **The Defense Systems of Management (DSOM)**

The Secretary of National Defense, at the November 2008 PDR Board, directed that the four PDR Priority Programs that addressed the component parts of DSOM be taken out of the PDR Program and managed separately under the joint direction of the Undersecretary for Defense Affairs and the Undersecretary for Finance and Armed Forces Modernization Affairs (USFAFPMA). The programs involved were the (1) Multiyear Capability Assessment and Programming System Program (2) Capability Upgrade Program (3) Financial Management Program and (4) Defense Acquisition System. The responsibilities for each component portion were outlined in a 5 November 2008 Defense Circular with an implementation timeline listed in a separate directive. The new circular gave responsibility for the Defense Capability Assessment Program and the Defense Acquisition System portions of DSOM to the Chief of Staff while assigning responsibility for the Strategic Planning System and the Defense Resource Management System portions to the Undersecretary for Defense Affairs and USFAFPMA. A timetable was developed to accomplish the integration of all of the components during the run up for the 2010 budget planning cycle with emphasis on the initial use of DCAPS and Defense Acquisition System. The timetable also envisions that DSOM implementation will be phased in with an initial operating capability beginning in 2009 with a target date of 2013 for full operating capability. During 2008, DND and the AFP were able to successfully complete the third budget planning process under DRMS to include the publication of the third Defense Planning Document.

### **Program 1 Personnel Management**

The Personnel Management System reform effort continues to make progress on fulfilling its reform agenda. A major accomplishment was the signing of the Memorandum of Agreement

between the AFP Pension and Gratuity Management Center and the National Statistics Office. The Memorandum of Agreement was a major deliverable for the Pension List Cleansing and Updating System "Quick Win" and resulted in a first year savings of more than 1 billion pesos. A second major accomplishment was the Secretary of National Defense-directed thorough examination of the officer's promotion system to determine modifications necessary to allow for the career development and promotion of officers in key specialty areas such as acquisition, logistics, and finance. When implemented, this will form the basis for the professionalization of the technical support areas required to implement the Defense System of Management and other key reform initiatives. Program 1 is also in the process of developing an AFP Transition Assistance Program that will orient, assist, and prepare AFP personnel for their transition from military to civilian life. Implementation of this program will assist the AFP in implementing the personnel attrition policies needed to significantly reduce the average age of the force. Finally, Program 1 is now examining the feasibility of establishing an AFP Personnel Management Center to oversee the personnel systems and operations of the Armed Forces Headquarters and the Major Services and manage the Personnel Management Information System currently being developed as an automated decision support system for DND and AFP personnel managers.

## **Program 2 Intelligence**

Through 2008 the PDR Intelligence Program is making exceptional and steady progress. The strategic AFP J2 Roadmap 2016 (Intelligence and Revitalization of the Intelligence System (IRIS)) further articulated in the March 2007 Intelligence Program Management Plan continued as the overarching guide for work. The PDR Intelligence Program has provided increased Phillipine governmental funding support, Foreign Military Sales case funding assistance, use of a U.S. Subject Matter Expert in a direct assistance capacity to the AFP J2, and the ability to leverage Phillipine - U.S. military to military events to support the intelligence modernization effort. The J2's recognition of needs to be addressed and resulting creation of the IRIS Division to manage and support the PDR Program in the near term, and continued evolution of intelligence needs in the long term, were the keys to success of ongoing work. Noteworthy highlights of the achievements thus far include the implementation of a new Philippine Intelligence Modernization FMS Case and new equipment training including both contractor training and use of Senior Executive Committee/ Mutual Defense Board provided Subject Matter Expert Exchanges to supplement the training. Completion of a series of twelve U.S. MTT training sessions which collaboratively with the AFP J2 produced an AFP Joint Intelligence Research and Analysis Course for use by AFP instructors, and Implementation of a National Research Center Hub concept (to include equipment) within the AFP J2 which will synchronize maintenance of a threat common operational picture with the J2 intelligence support throughout the AFP. Continued operationalization of the Unified Command Area Research Centers using both U.S. and Philippine funded equipment; and AFP J2 to initiation of Phase 2 of the Intelligence Roadmap, "Capability Enhancement and Achieving the Vision (2009-2014)," the latter will ensure the execution of the doctrines, refined intelligence architectures, and processes which have been put into place during Phase 1.

## **Program 3 Operations**

With the realignment of the programs as approved by the Secretary of National Defense in November 2008, the Operations Program now consists of two project areas. These are operations and information operations. Doctrine moved to a high priority project while training was moved to Program 4 as the responsibility for training moved from the J3 to the J8.

Operations. The Operations Project refocused efforts toward the establishment of an AFP- wide Joint Operational Planning & Execution System. Upon completion of the assessment, design, development, and implementation of the Joint Operational Planning and Execution System the General Headquarters, Unified Commands, Joint Task Forces, and Service Commands will possess an integrated capability to plan and execute joint operations using enhanced Command, Control, Computer, Communications, Intelligence, Surveillance, and Reconnaissance systems.

Information Operations. A major milestone in the modernization of the AFP was achieved in 2008 with the approval and introduction of AFPM 3-3, *Joint Information Operations* Doctrine. The cornerstone of the PDR Information Operations Project, this doctrine establishes IO as the AFP's newest enabling capability, thereby enhancing combat effectiveness and further enables the AFP's ability to succeed in meeting 2010 Internal Security Operations mission imperatives. This achievement establishes the AFP as the first South East Asian military to institutionalize an information operations capability that is doctrinally organized, professionally staffed, and trained.

#### **Program 4 Education and Training (Military)**

With the creation of the Deputy Chief of Staff for Education and Training (J8), responsibility for training management, officer education, individual training, and enlisted professional development moved from the J3 to the J8. As a result, these three areas were realigned from J1 and J3 to the J8 as separate project areas.

Officer Development. The officer development program has received renewed emphasis with the establishment of AFP/J8, which is charged with the training and education of military personnel. At the direction of the Secretary of National Defense and AFP Chief of Staff, each of the major service Officer Candidate Schools has been reviewed with the goal of establishing an AFP OCS that produces graduates on par with the Philippine Military Academy.

Enlisted Development. Using the momentum of successes achieved in 2007, the Enlisted Development program continued to achieve significant progress in 2008. Quantifiable gains were made in Enlisted Training by the institutionalization of the Squad Leader Course and implementation of the Platoon Sergeant Course. Initial reviews of basic military training were conducted with new and more effective Programs of Instruction resulting. The development of a standardized recruit training instructor course was initiated in support of the recommended changes to basic military training. Major advances were made in Enlisted Professional Military Education. Additional enlisted PME courses were developed with implementation scheduled for 2009. The AFP Instructor Course was developed and implemented. A core group of AFP Senior Enlisted Leaders were qualified to be instructor trainers and training specialists. Due to efforts of

Senior Enlisted Leaders from the AFP and the U.S. Pacific Command, the Enlisted Development program was given official status, for the first time, as a sub-committee in the Mutual Defense Board/Security Engagement Board.

Training Management. The Training Project continued to focus on the enhancement of combat capabilities at the battalion level. The Battalion of Excellence Program was extended to the Philippine Air Force to ensure the Special Operations Wing Combat Groups benefit from the progress made by the Philippine Army and Philippine Marine Corps. During 2009, an AFP Operational Planning Course was designed and executed for Commanders and Staff of both the Philippine Marine Corps and the Phillipine Air Force. A Platoon Sergeant Training Program was designed and executed for the PA. Efforts were also focused on the establishment of an AFP Education and Training System.

### **Program 5 Education and Training (Civilian)**

The civilian development program is in the process of developing a new competency-based framework upon which to base education and training needs, activities, and reform action plans. Major emphasis areas will be on recruitment, assignments, training, and educational development of defense civilians in order to provide a "total DND-AFP force" capability.

### **Program 6 Logistics and Acquisition**

The logistics program continued to make considerable progress in key areas governing the control and accountability of logistics resources assigned to the AFP. These included the establishment of the AFP Supply Accountability Office to provide direct supervision of all Supply Accountable Officers assigned to GHQ and the Unified Commands, an effort which is the test bed for the establishment of centralized control and visibility over all AFP assets. In addition, a stock fund system was reestablished after a thorough accounting for all of the funds assigned to this program and a change in policy was made to use this procurement authority only in direct support of front line soldiers. In addition, the POL Fleet Card initiative was expanded from applying only to units in the Metro Manila area to all units in the AFP. As part of the effort to implement the Defense System of Management in DND and the AFP, the scope of the logistics reform program was expanded to include a project team responsible for the establishment of the Defense Acquisition System organization and processes in the J4.

### **Program 7 Information Management**

The first-ever inventory of all DND and AFP management information systems and communications capabilities was completed in 2009. It is now in the process of classifying the results of the inventory findings in order to determine how critical areas of information management should be prioritized. The prioritized areas will then be implemented according to the strategic framework developed. In addition, more emphasis is being focused on "command and control" to determine AFP/DND information management requirements. Upon completion of that effort, the program will then analyze requirements against current capabilities to determine shortfalls and to devise a plan to prioritize and fund the shortfalls within the medium term. Lack

of modern management information systems has been elevated to the Secretary of National Defense as a significant risk factor for instituting PDR reforms as it affects all of the outcomes of the Priority Programs. As a result, the program has received initial guidance to prioritize system development in a way that supports both PDR programs and the long-term AFP/DND goal for a information systems architecture.

### **Program 8 Strategic Communications and Civil-Military Operations**

The first ever government-wide Inter-Agency Strategic Coordinating Council convened and continued to meet regularly to coordinate the Phillipine Government's themes and messages. DND is staffing the realignment of the Office of Public & Legislative Affairs to create interim STRATCOM staff capabilities. J-7, AFP has been officially designated as the AFP proponent for STRATCOM to ensure synchronization of the DND and AFP efforts. STRATCOM, PAO, IO, and PSYOP roles, responsibilities, and authorities have been defined, reconciled, and formalized in order to create a Combined and Joint Civil-Military Operations Campaign Plan for the Phillipines and to continue the institutionalization of defense reform. The first-ever Joint Australian Defense Forces/AFP STRATCOM Seminar was held 20-21 May 2008, where mid-grade AFP officers and senior DND civilians participated. Sponsored by the Philippine Office of Defense Reform, the Symposium afforded the opportunity for participants to be exposed to the role that strategic communication plays in the Australian government decision-making process, with particular emphasis on the roles played by the Australian Defense Forces and other government agencies in integrating, coordinating, and synchronizing messages across the communication spectrum to support national security imperatives and national disaster relief/humanitarian assistance preparedness. The AFP J-7 has formally reestablished the STRATCOM Technical Working Group which will be responsible for coordinating the activities of the five STRATCOM/Civil-Military Operations project teams.

### **Program 9 Reserve Forces**

The Reserve Forces reform program was established in early 2008 and has begun work on the revision to the basic laws regarding reserve forces with special emphasis on the revitalization of the ROTC program. In addition, Program 9 has begun work on the review, revision, and update of AFP doctrine as it pertains to the organization, use, training, and equipage of reserve forces.

### **Program 10 Inspector General System**

The Inspector General Service (IGS) focus has been to accurately assess the applicability of the Inspector General Process to the AFP Chief of Staff, AFP Commanders, AFP Service Members, and the Philippine People. Planning for the on-site portion of the assessment was completed in early 2009. and PDR funding has begun to flow to start this activity. Preliminary surveys and other information collection that could be accomplished prior to the actual in place assessment have been used to frame and prepare for the actual visitations. A major focus was the evaluation of the IGS assignment selection process and the training of IGS personnel to handle their responsibilities. The IGS training curriculum was base lined against a US Army IG model, and resulted in both quick fixes and a proposed Project to consolidate all IGS training and

certification at the AFP level. Two additional Projects have also been identified and will be validated during the assessment. These are establishing an AFP safety organization and developing a computer based Inspector General Archiving system to more effectively and efficiently manage reports, inspection results, case files, and related information necessary to conduct Inspector General Operations.

### **High Priority Project: Manpower Management**

The Force Structure Development program area was recently restructured, with the Force Structure Development System project shifting from the PDR program to the recently split-off Defense System of Management for separate management and execution. The Force Structure Development project will now support the development and implementation of the Defense Capability and Assessment System, while the Manpower Management System has been reclassified as a High-Priority Project and will be executed independently. MMS is still in the assessment phase and is in the process of finalizing their project management plan. Major emphasis areas will be on development and implementation of an effective and efficient Manpower Management System to properly man forces in support of national defense missions, translate force structure requirements into manpower authorizations, and ensure the most effective and efficient use of available manpower. As such, it shall concentrate on implementing management systems and controls / necessary compliance mechanisms and a supporting information management system to guide the identification of total manpower requirements by grade and skill, to support personnel management activities, such as recruiting, skill training, and career development; and to provide a logistics requirements baseline for acquisition and repair.

### **High Priority Project: Doctrine Development**

After being designated as a High Priority Project with funds released for the conduct of meetings, the Project Manager formed five sub-project teams and convened the first team meeting in 2009. The meeting provided training and guidance on project management, team communication procedures, Work Breakdown Structure, and other subjects. Several key issues were decided including team organization, project deliverables, and development of standard procedures to ensure the successful completion of the five sub-projects. The AFP Doctrine Development Center was tasked with developing an After Action Review system for the recently concluded Balikatan 09 Exercise. A planning workshop to develop the process was held, with regular future meetings scheduled. Planning continued for the renovation of the new AFP Doctrine Development Center facility after the recent release of funds. This facility will provide expanded office space and areas for a library and conference room.

## **Conclusions**

Reform of the Philippine Defense establishment was a notion that most in the Philippines agreed was necessary internally, but was largely ignored by a wide variety of special interests and the politics of the day in the years between the fall of Ferdinand Marcos in 1986 and the events of 9/11. Despite the establishment of both the Davide and Feliciano Commissions and

the powerful reports of those committees, the recommendations for reform within the Philippine Defense establishment would have likely never been fully acted upon without the overall change in the political atmosphere and without addressing the inherent nationalistic reaction to conditional U.S. support brought on by the initiation of Philippine Defense Reform.

Moreover the watershed events of 9/11 offered a new opportunity for both sides to revitalize a relationship that had struggled in the low water mark of the Philippine Senate's decision not to renew the basing agreement. The challenges of combating world terrorism and the atmosphere that allowed the re-engagement with the AFP and DND also helped spur the U.S. Department of Defense once again into its historical role as an advocate for the Philippines in Washington, albeit an advocate who now better understood the theatrical nature of Filipino democracy and foreign policy.

To be sure, PDR is making a big difference, and there are signs of additional promising reform throughout the Philippine defense establishment. The issuance of the first ever Defense Planning Guidance for a multi-year time period and the implementation of a system to match priority efforts with identified resources are great strides. These efforts place a foundation upon which other reforms can build and brings for the first time an air of reality into the nation's defense planning. However, the most dramatic of the PDR impacts is on large scale acquisitions. Suddenly, there is transparency within the DND that stands in stark contrast to any other quarter of the government of the Philippines and strikes at the heart of irregularities in AFP acquisition that were its hallmark in the not too distant past.

The progress of the Philippine Defense Reforms remain a hot topic of debate in Washington, but the steady string of 'small step' reforms have been enough to sustain the effort as well as slowly reduce the U.S. critics who possess, often based on experience, pessimistic views of the ability to conduct a real 'paradigm shift' in the Philippines. The progress of the PDR has indeed been real, but also hampered by overly optimistic planning factors, unrealistic expectations, and other 'real world' factors which have held back more regular progress of the POA&Ms in all of the project areas.

Initial planning assumptions were that, over the planned 18-year span of reform, projected an overall, steady rise in economic growth coupled with an equally steady decline in the military threat from terrorists and separatists faced by the Republic that would serve as the basis to conduct and pay for reform. Neither of these projections have proven accurate, or at this point, even achievable. Currently, at the six-year mark of PDR, the Philippine economy continues to be strong internally, but is suffering along with the rest of the world during a period of recession that cripples Philippine purchasing power to achieve its defense goals. Worse, the threat situation in the Philippines has not improved significantly, or as in the case of the Sulu Archipelago, is deteriorating.

Another factor, more overlooked in Washington than Manila, was underestimating the difficulty of conducting defense transition while simultaneously conducting combat operations. Many Filipinos, when prodded by their U.S. counterparts concerning the perceived slow progress of PDR, will frequently in return ask about the progress of U.S. defense transformation efforts initiated by former Defense Secretary Donald Rumsfeld on the eve of the removal of Saddam

Hussein from Iraq, or perhaps inquire about how the other current worldwide operations are affecting it.

On May 10, 2010, the Philippines held a new presidential election, choosing Benigno "Noynoy" Aquino as their new president, who will follow the footsteps of his mother, Corazon Aquino. While President Arroyo remained a stalwart advocate for defense reform, sustaining progress within the Philippines is severely limited by her own deliberate 'Rolodexing' of senior leadership within the DND and AFP. While no doubt effective in helping to preclude military-sponsored coup attempts, the practice, and the lack of deliberate transitions that define changes of leadership in the Philippines, constantly put the PDR advocates in a position of re-winning previously won points and positions, and gives observers a 'two steps forward, one step back' impression of the program. It remains uncertain if the new president of the republic will continue the tradition of rapid turnover of senior leadership, but unlike Mrs. Arroyo, President Aquino will not own his initial ascendance to the presidency to the AFP, and will feel no pressure to reward loyal generals.

And in an ironic twist, some PDR advances are limited by its own success. In the field of personnel management, the PDR assisted an effort to aid the assignment of AFP personnel to chronically undermanned tactical units and their support headquarters afield, resulting in a reduction of the manpower available to the PDR at the senior staff level.

Overall progress of the PDR is unmistakable and has clearly struck a wider swath of the Philippine defense establishment than originally hoped. Moreover the changes already implemented by the PDR process could not have been imagined only a few years ago. However, there are some troubling signs that the depth of the PDR's impact may not be as significant as originally desired, which in turn feeds the PDR pessimists in both nations that believe the Philippine commitment to defense reform will only last as long as U.S. military grant aid continues to flow in.

For example, the Philippine legislature continues to significantly underfund the DND and AFP, currently at .9 percent of GDP, compared to an average of 2 percent world-wide, and a 4 percent outlay by the U.S. Even with full implementation of all the PDR's programs and recommendations, the defense establishment would not be able to sustain itself at current funding levels. While this can be made up by future outlays, there is no current outward sign the legislature is planning to do so.

So far, the spark of reform that the PDR would produce to ignite broader reforms across the breadth of the Government of the Philippines has failed to appear. This is likely due to two factors: First, there are no other governmental institutions within the government of the Philippines that have been subject to more pressure than the DND and AFP as to the need for transparency. It is doubtful that without that type of pressure that the entrenched and inefficient Filipino bureaucracy would change. The second reason -- complementary to the first -- has to do with the lack of visibility of the PDR process in domestic political dialogue. For many small- and medium-sized businessmen engaged with the DND and AFP, the existence of the reform process, much less its purpose, is a surprise. The reforms initiated by the PDR have largely yet to trickle down to all the levels allowed to participate in procurement. From the point of view

of most Filipino businessmen, the opportunities for 'conversion', the Filipino euphemism for corruption, remain.

Six years into the Philippine Defense Reform, the old adage for success in Asia, patience, persistence, and presence, along with a small but dedicated group of U.S. and Philippine staff, have likely pushed the PDR efforts into an irreversible force that will achieve the stated goals and objectives of its partner nations. The rate of progress to this end will undoubtedly be a cause for concern in Washington for the foreseeable future but will likely conclude at a Filipino pace. While the 'geneses' of the reforms were conceived in Washington, the PDR process is very much the property of the Philippines -- on whose shoulders the ultimate success or failure of the reform process will rest.

American observers of the PDR process and those in Washington charged with maintaining the PDR programs who are always impatient for results and loath to return to Congress to ask for additional funds or time, may be better served by taking on a more philosophical approach to the Philippines. The PDR process could be viewed as the progress of a Jeepney on a busy Manila avenue. (A 'Jeepney' – a common form of mass transit in the Philippines -- is a jeep chassis converted into an open-air taxi and the bane of any other driver. A Jeepney moves at its own pace, stops unexpectedly, frequently changes passengers, moves inexplicably and abruptly right and left in traffic, but eventually arrives safely.)

Despite the near term gratification an efficient defense establishment can generate both domestically and with its allies, the true value of the PDR process may very well be an unplanned consequence. While it was hoped that the PDR would influence the whole of the Philippine government, the greater affect may be on the broader U.S.-Philippine bilateral relationship. The PDR is leading to a broadening and deepening bilateral relationship, based on partnership, not patronage or the legacy of the past. If it chooses, the Philippines can hit the 'reset' button and choose to deal with the U.S. on equal terms. As a significant byproduct, the PDR has created the condition where the Philippines are considering implementing a formalized strategic dialogue with the U.S. for more advanced levels of mutual interest. What remains unclear is if the self-involved Philippine oligarchy that composes a majority of the senior political and cabinet positions in any Philippine government, will recognize the opportunities that exist to improve the overall quality of their relationship with the United States or instead, return to the traditional 'begging bowl' that defined the relationships of the past.

## **End Notes**

---

<sup>1</sup> There have been seven attempts at regime change in the Philippines since the 1986 People Power Revolution that brought President Corry Aquino to power. All of these plots had the backing of some portion of the Armed Forces of the Philippines. They are; The 1986-7 Plots (six separate attempts), Honasan's Second (1989), Fall of Estrada (2001), May 1<sup>st</sup> (2001), the Oakwood Munity (2003), the State of Emergency (2006), and most recently, the Manila Peninsula rebellion in 2007.

<sup>2</sup> From President Arroyo's 73<sup>rd</sup> Anniversary of the Armed Forces of the Philippines speech, 22 December, 2008

---

<sup>3</sup> Gregorio B. Honasan II, better known as 'Gringo' is a current Philippine political leader. As a Colonel in the AFP, he played a key role in the 1986 EDSA revolution that toppled Pres. Ferdinand Marcos; He later led a series of unsuccessful coup attempts against Pres. Corazon Aquino. Later he entered politics and was elected senator 1995-2004, and again since 2007. EDSA stands for Epifania de los Santos Avenue, a major thoroughfare in Manila. It is significant because it was the main avenue that was blocked by the Filipino people and kept the military from crushing the 1986 'People Power' revolution in 1986. Thus, the change of power in the Phillipines is simply known as the EDSA revolution.

<sup>4</sup> There remain many contentious issues from the Philippine-American war, but one single issue that still vexes U.S-Philippine relationship is the status of the 'Bells of Balangiga'. The Balangiga Massacre as it is known in the Philippines occurred on September 28, 1901 in the village of Balangiga on the island of Samar, where 40 Americans were killed in a surprise guerilla attack. The controversy surrounds the American response to the attack, which included seizure of church bells in Balangiga as legitimate prizes of war, as they were reportedly used by the Philippine guerillas to signal the initiation of the attack. The bells became important parts of unit histories of the 9<sup>th</sup> and 11<sup>th</sup> Infantry Regiments of the U.S. Army and are still in the possession of these units (one bell with the 9<sup>th</sup> Infantry at Camp Red Cloud, Korea, and two are located at the 11<sup>th</sup> Regiments former base at E.F. Warren Air Force Base in Cheyenne, Wyoming). So far, Filipino demands for the return of the bells remain unheeded.

<sup>5</sup> The promise of Philippine independence was spelled out in the Jones Act of 1916.

<sup>6</sup> Bataan commemorations occur every April in the Philippines, and are usually presided over by the President of the Republic and attended by as many Filipino veterans and Americans survivors of the 'Death March' that can make the journey. Part of that celebration involves a national competition amongst female college sophomores to deliver the most patriotic speeches remembering the events.

<sup>7</sup> U.S. Foreign Military Financing (FMF) is not a check written to a foreign government, and is almost impossible to use for anything other than its intended purpose. Many Americans, and many senior U.S. and foreign defense officials do not realize that FMF grants are managed in the U.S., and these funds never leave the country, and cannot be 'misappropriated' by the foreign beneficiary.

<sup>8</sup> The New People's Army (NPA) is the longest running communist insurgency worldwide, at 38 years and counting.

<sup>9</sup> The Philippines ranks 142 out of 173 nations in funding defense as a percentage of Gross Domestic Product. By comparison, the Philippines neighbors Indonesia allocates 3 percent of its GDP for defense, and Malaysia at 2.03 percent. This compares to 4 percent for the United States.

<sup>10</sup> Philippine Department of National Defense Order No. 182 (2003)

<sup>11</sup> Philippine Defense Reform Handbook, Revised 31 January 2008.

<sup>12</sup> This was a deliberate decision by the U.S. Embassy and the Defense Security Cooperation Agency (DSCA) to do so. The Technical Assistance Field Team team began to report the AFP readiness reports to the AFP's Chief of Staff, which caused a great deal of discomfort amongst senior AFP officials as unflattering readiness results, frequently contrary to their own more rosy assessments, were being reported to their bosses.

<sup>13</sup> Remarks of Secretary Avelino J. Cruz Jr. during the Manila Overseas Press Club Defense Night, Hotel Intercontinental, Makati City, 18 May, 2005

<sup>14</sup> From PDR update Brief, June 2009

<sup>15</sup> Philippine Defense Reform Handbook, Revised 31 January 2008.

<sup>16</sup> As outlined by Ernesto G Carolina, then Undersecretary for Civil, Veterans and Reserve Affairs to GMA, 3 January 2007

<sup>17</sup> From Feliciano Fact-Finding Commission Report, 17 October 2003

<sup>18</sup> PDR Briefing for the Foreign Correspondents Association of the Philippines (FOCAP) at Mandarin Oriental Hotel, Makati City on 1 April 2005.

<sup>19</sup> From December 1, 2008 Philippine Defense Reform Monthly Update, published by JUSMAG-Philippines